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TAGS: PREL ECON ETRD TU GG

SUBJECT: TURKEY'S SIDE OF THE STORY: TURKEY-GEORGIA FTA

REF: A. TBILISI 2746

1B. ANKARA 1568

Classified By: Econ. Counselor Thomas Goldberger for reasons 1.5 (b) & (d)

11. (C) Summary: According to Turkish trade officials, a Turkey-Georgia preferential trade agreement (ref A) is still being negotiated and includes a very limited list of agricultural and industrial goods. While in theory Turkey's participation in a customs union agreement with the EU could complicate implementation of this agreement, Turkish officials do not anticipate this because it does not cover Georgian exports of industrial goods. It is possible that the Turks are using the EU excuse as a bargaining tactic in the ongoing negotiations, as it seems that there are other areas of non-agreement. End Summary.

12. (SBU) Foreign Trade Undersecretariat (FTU) officials told us that they are still conducting negotiations with Georgia over a preferential trade agreement that would include a very limited list of agricultural and industrial goods. They said that while in theory there could be some legal issues with the Customs Union agreement with the EU, in reality they do not anticipate problems because this agreement does not include Turkish imports of Georgian industrial goods. They added that the last meeting between the two sides occurred about 10 days ago.

13. (SBU) EC representatives in Ankara were not aware of a potential preferential trade agreement between Turkey and Georgia. They told us that, in theory, Turkey cannot and should not enter into such an agreement with a country that does not have such an agreement with the EU. In the Ankara Plan that outlined Turkey's participation in the Customs Union, the GOT is expected to abide by the Common Customs Policy. EC reps told us that Turkey can enter into unilateral agreements in which a country agrees to provide it with certain trade benefits. While the Customs Union covers only industrial products -- which cannot be negotiated without EC approval -- the EU reps told us that the Ankara Plan includes references to agriculture and services, which could ultimately be subject to interpretation.

14. (SBU) Turkish trade agreements with Mediterranean countries are concluded under the so-called "Euro-Med Partnership," which, along with the Customs Union, requires that Turkey conclude trade agreements parallel to EU trade agreements with these countries. Specifically, the GOT has not yet ratified an FTA with Syria under the Euro-Med partnership, apparently because the EU has also not proceeded with implementation of its agreement (ref B). Euro-Med participants include the 25 member states and Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, and Tunisia, as well as Turkey.

¶5. (C) Comment. Our discussions with officials in Ankara suggest that Georgia's PM (ref A) may not have both sides of the story. Since the requirement for EU approval appears to be more theoretical than real, the Turks may be using the claim as a negotiating tactic. We would not recommend raising this with the European Commission at this time because it could potentially hinder rather than assist the ongoing negotiations by bringing the Commission into the mix prior to a final agreement. End Comment.

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